

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 ABF-01 IGA-02

NSC-05 SS-15 STR-04 CEA-01 L-03 H-02 PA-02 PRS-01

/113 W

-----031202Z 051999 /42

R 031003Z JUN 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8347

TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

UNCLAS TOKYO 8261

BRUSSELS FOR USEEC

PARIS ALSO FOR USOECD

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FURTHER LIBERALIZATION OF JAPANESE FOREIGN EXCHANGE
CONTROLS

1. SUMMARY: AS ANTICIPATED TOKYO 7787 MINISTRY OF FINANCE
(MOF) ANNOUNCED JUNE 1 THIRD IN SERIES OF MEASURES
SIMPLIFYING/LIBERALIZING JAPAN'S FOREIGN EXCHANGE CONTROLS.
AS A RESULT OF THESE ACTIONS, IT WILL BE SOMEWHAT EASIER
FOR NON-RESIDENTS TO INVEST IN JAPANESE SECURITIES, AND
FOR RESIDENTS TO INVEST IN FOREIGN SECURITIES. RESIDENTS
WILL ALSO HAVE MORE LEEWAY TO HOLD FOREIGN CURRENCIES AND
TO PURCHASE REAL ESTATE ABROAD. END SUMMARY.

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2. FOLLOWING IS INFORMAL TRANSLATION OF MOF ANNOUNCEMENT
JUNE 1 OF FURTHER MEASURES OF SIMPLIFICATION/LIBERALIZATION
OF EXCHANGE CONTROLS ON CAPITAL TRANSACTIONS. BEING BODY
OF TEXT: SUBJECT: SIMPLIFICATION OF FOREIGN EXCHANGE
CONTROLS ON CAPITAL TRANSACTIONS. (1) AS THE NEXT STEP,
FOLLOWING MEASURES ANNOUNCED PREVIOUSLY PROMOTING

SIMPLIFICATION OF JAPAN'S FOREX CONTROL PROCEDURES CONCERNING NON-MERCHANDISE CURRENT TRANSACTIONS AND PAYMENTS, MOF HAS DECIDED A) TO ELIMINATE THOSE NON-RESIDENT DEPOSIT ACCOUNTS CALLED "ARTICLE FIVE YEN ACCOUNTS;" (B) TO LIBERALIZE REMITTANCE ABROAD BY NON-RESIDENTS OF YEN PROCEEDS FROM SALES OF SECURITIES; C) TO RELAX RESTRICTIONS ON ACQUISITION BY RESIDENTS OF SHORT-TERM FOREIGN CURRENCY DENOMINATED SECURITIES; AND (D) TO SIMPLIFY FOREIGN EXCHANGE CONTROL PROCEDURES CONCERNING CAPITAL TRANSACTIONS. (2) DETAILS OF THE PRESENT PROGRAM ARE AS FOLLOWS: (A) AT PRESENT THERE ARE NON-RESIDENT DEPOSIT ACCOUNTS CALLED ARTICLE FIVE YEN ACCOUNTS. IN CONTRAST TO NON-RESIDENT FREE YEN ACCOUNTS, CONVERTIBILITY (INTO FOREIGN CURRENCY) OF ARTICLE FIVE YEN ACCOUNTS IS LIMITED. HEREAFTER ARTICLE FIVE YEN ACCOUNTS WILL BE ABOLISHED. AS A RESULT OF THIS ACTION, YEN PROCEEDS FROM SALES OF SECURITIES WITHIN SIX MONTHS AFTER ACQUISITION BY NON-RESIDENTS WILL BE PERMITTED EITHER TO BE DEPOSITED IN FREE YEN ACCOUNTS OR TO BE REMITTED ABROAD. CURRENTLY SUCH PROCEEDS ARE REQUIRED TO BE DEPOSITED IN ARTICLE FIVE YEN ACCOUNTS. AS IN THE PAST, NON-RESIDENTS WILL NOT BE PERMITTED TO ENGAGE IN SECURITIES REPURCHASE AGREEMENTS. AS A RESULT OF THIS ACTION, YEN HELD BY NON-RESIDENTS WILL BE NEARLY FULLY CONVERTIBLE. (B) ACQUISITION OF SHORT-TERM FOREIGN CURRENCY DENOMINATED SECURITIES BY RESIDENTS OTHER THAN AUTHORIZED FOREIGN EXCHANGE BANKS HAS BEEN PROHIBITED SINCE NOV 1973. THIS RESTRICTION WILL BE ELIMINATED. (C) CEILINGS HAVE BEEN SET FOR RESIDENT FOREIGN CURRENCY DEPOSIT ACCOUNTS (WITH BANKS IN JAPAN). SUCH BALANCES ARE REQUESTED NOT TO EXCEED THE AVERAGE OF MONTH-

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END BALANCES DURING THE PERIOD OCT TO DEC 1973, OR \$20,000 (WHICHEVER IS LARGER). THIS RESTRICTION WILL BE ELIMINATED. WITH RESPECT TO FOREIGN CURRENCY DEPOSIT ACCOUNTS ABROAD, PERMITTED FOR SECURITIES COMPANIES, INSURANCE COMPANIES, AND TRANSPORTATION COMPANIES, RESTRICTIONS HAVE BEEN IMPOSED ON THE AMOUNT AND TERMS OF SUCH ACCOUNTS. THESE RESTRICTIONS WILL ALSO BE ELIMINATED. (D) ACQUISITION OF OVERSEAS REAL ESTATE BY RESIDENTS FOR OTHER THAN PERSONAL USE, WHICH CURRENTLY IS NOT ELIGIBLE FOR AUTOMATIC LICENSING BY BANK OF JAPAN (BOJ), WILL BECOME ELIGIBLE HEREAFTER. (E) ACQUISITION OF FOREIGN STOCKS THROUGH EMPLOYEE STOCK OWNERSHIP PROGRAMS OF FOREIGN AFFILIATES (IN JAPAN) IS CURRENTLY SUBJECT TO INDIVIDUAL LICENSING BY THE MINISTER OF FINANCE. IN THE FUTURE LICENSES GIVEN TO FOREIGN AFFILIATES WILL BE GENERAL LICENSES. (F) ACQUISITION OF FOREIGN CURRENCY DENOMINATED SECURITIES AS A RESULT OF MERGERS OR STOCK DIVIDENDS WHICH OCCASION NO PAYMENTS ABROAD IS CURRENTLY SUBJECT TO LICENSING BY MINISTER OF FINANCE OR BOJ. HEREAFTER,

SUCH SECURITIES TRANSACTIONS WILL BE FREE. (G) CONSISTENT WITH THE PRINCIPLE OF AUTOMATIC VALIDATION AND LICENSING BY GOJ OF ACQUISITION OF JAPANESE SECURITIES BY FOREIGN INVESTORS SOLELY FOR THE PURPOSE OF INDIRECT PORTFOLIO INVESTMENT, THE EX POST FACTO APPLICATION METHOD, WHICH IS CURRENTLY PERMITTED ONLY FOR STOCK ACQUISITIONS, WILL BE EXTENDED TO AQUISITIONS OF OTHER SECURITIES BY NON-RESIDENTS. (H) IN ADDITION TO THE MEASURES MENTIONED ABOVE, MOF WILL PROMOTE THE SIMPLICATION OF PROCEDURES CONCERNING CAPITAL TRANSACTIONS, SUCH AS SIMPLIFICATION OF APPLICATION PAPERS FOR LICENSES AND VALIDATION. (3) THE PRESENT MEASURES WILL BE IMPLEMENTED PROMPTLY AFTER PREPARATION OF RELATED CABINET ORDERS ARE MINISTERIAL ORDINANCES. END TEXT.

3. ALTHOUGH MOF RELEASE DOES NOT SPCIFY DATE OF IMPLEMENTATION OF THE ANNOUNCED CHANGES, PRESS INDICATES UNCLASSIFIED

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NEW REGULATIONS WILL TAKE EFFECT AROUND MID-JUNE. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE CONTROLS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 03-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO08261
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770198-0475
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770691/aaaadbsc.tel
Line Count: 141
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b19f4685-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 20-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2280309
Secure: OPEN
Status: NATIVE
Subject: FURTHER LIBERALIZATION OF JAPANESE FOREIGN EXCHANGE CONTROLS
TAGS: EFIN, EINV, JA, XX
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b19f4685-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009